

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
William L. Massey, and Nora Mead Brownell.

Columbia Gas Transmission Corporation

Docket No. CP03-65-000

ORDER AUTHORIZING ABANDONMENT
AND DETERMINING JURISDICTIONAL STATUS OF FACILITIES

(Issued September 23, 2003)

1. On March 19, 2003, Columbia Gas Transmission Corporation (Columbia) filed an application pursuant to Section 7(b) of the Natural Gas Act (NGA) seeking Commission approval for Columbia to abandon its Stafford Compressor Station in Mingo County, West Virginia, by sale to Columbia Natural Resources, Inc. (CNR). Columbia also requests that the Commission determine that, upon abandonment by transfer to CNR, the Stafford Compressor Station will perform a gathering function exempt from the Commission's NGA jurisdiction pursuant to Section 1(b) of that Act.

2. For the reasons discussed below, we find that the proposed abandonment is in the public interest because Columbia no longer needs the facilities and abandonment of the facilities will eliminate unnecessary expenses associated with the facilities. Further, CNR will make more efficient use of the acquired facilities. We also find that the Stafford Compressor Station's primary function will be gathering after being transferred to CNR.

I. Background, Facilities and Proposal

3. Columbia is a Delaware corporation located in Virginia that provides open access storage and transportation services in Delaware, Kentucky, Georgia, Indiana, Louisiana, Maryland, Mississippi, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Tennessee, Texas, Virginia, and West Virginia. Columbia is a natural gas company as defined in the NGA and transports natural gas in interstate commerce subject to the

jurisdiction of the Commission. CNR is a Texas corporation located in Charleston, West Virginia that is engaged in NGA-exempt oil and gas drilling and production operations in Illinois, Indiana, Kentucky, Maryland, Michigan, New York, Ohio, Pennsylvania Tennessee, Virginia, and West Virginia. Columbia and CNR are wholly-owned subsidiaries of the Columbia Energy Group, which is a wholly-owned subsidiary of NiSource, Inc.

4. The facilities that Columbia proposes to sell to CNR consist of an Ajax DPC 360 horsepower compressor unit and appurtenances located at the interconnection of Columbia's Line KA and CNR's Lines V-94 and V-45. CNR will purchase the facilities for \$347,495, their net book value on December 31, 2001.

5. Columbia states that the proposed abandonment is permitted and required by the public convenience and necessity and therefore meets the standard of NGA Section 7(b). It states that the facilities are used to pump field production volumes to transmission pipeline pressures, and will perform a gathering function after abandonment. It states that, consistent with the ongoing restructuring of its system, these facilities are no longer needed to support its role as transporter, and that the needs of the customers being served through the facilities can be better served through CNR's ownership and operation of the facilities.

II. Interventions, Comments and Answer

6. Columbia's application for abandonment authority and request for non-jurisdictional determination was published in the Federal Register on March 31, 2003.¹ A timely, unopposed motion to intervene and comments were filed by Orange and Rockland, Utilities, Inc. (Orange and Rockland),² and Columbia filed an answer to those comments.

7. Orange and Rockland, a customer of Columbia, notes that the compression facilities at issue are being sold pursuant to a purchase and sale agreement that also provides for the sale of Columbia's BM-44 pipeline facilities. Under that purchase and sale agreement, the total purchase price for both the Stafford Compressor Station and the BM facilities is \$535,800. Orange and Rockland emphasizes that pursuant to Columbia's

¹ 68 Fed. Reg. 15,442.

² Timely unopposed motions to intervene are granted by operation of Rule 214 of the Commission's Rules of Practice and Procedure. 18 CFR ¶ 385.214(d) (2002).

Phase I settlement in Docket No. RP95-408,³ Columbia must share with its customers 50 percent of the proceeds from the sale of gathering facilities. Orange and Rockland is concerned that the sale of the Stafford Compressor Station at a price higher than its current net book value may result in a corresponding reduction in the portion of the sale price attributable to the BM-44 facilities, which, Orange and Rockland claims, Columbia's customers are entitled to share. Orange and Rockland also states that Columbia's filing is incomplete because it contains little information on the BM-44 facilities, and Columbia has not provided any information to clarify liability for the mortgage lien on the Stafford Compressor Station.

8. Columbia states that the BM-44 facilities are not interconnected or related to the Stafford Compressor Station and that it is not seeking abandonment of the BM-44 facilities in this proceeding.⁴ Columbia also states that the Stafford Compressor Station will be released from the mortgage lien when the facilities are sold. Moreover, although it is requesting a finding that the Stafford Compressor Station will be a gathering facility following its transfer to CNR, it is not subject to the Phase I settlement's sharing mechanism because it was classified as a transmission facility at the time of the settlement agreement.

III. Discussion

A. Abandonment of Jurisdictional Facilities

9. Although we find below that the primary function of the Stafford Compressor Station will be NGA-exempt gathering following the facilities' transfer to CNR, the Stafford Compressor Station was certificated pursuant to Section 7(c) of the NGA. Therefore, Columbia's abandonment of all the subject facilities is subject to NGA Section 7(b).

10. Columbia has used the subject facilities to pump field production volumes to transmission pipeline pressures. Consistent with the ongoing restructuring of Columbia's system, these facilities are no longer needed to support its role as transporter. The needs of the customers being served through the facilities can be better served through CNR's ownership and operation of the facilities, and CNR has agreed to assume Columbia's

³Columbia Gas Transmission Corporation, 79 FERC ¶61,044 (1997).

⁴Columbia has filed an application for authorization to abandon the BM-44 facilities in Docket No. CP03-329-000.

obligations to provide continuity of service to Columbia's existing customers that receive service on the facilities to be transferred to CNR.

11. Columbia has filed accounting entries for the sale of facilities to CNR that are in accordance with the treatment prescribed in our Uniform System of Accounts. We further note that the BM-44 pipeline facilities are not interconnected or operationally related to the facilities at issue in this proceeding; those facilities are the subject of a pending abandonment proceeding in which Orange and Rockland has also filed a timely motion to intervene. The sales prices for both the Stafford Compressor Station and the BM-44 facilities are their net book values on the same date, *i.e.*, December 31, 2001.⁵ The Commission finds that the proposed sales price is consistent with the Commission's policies and regulations. In any event, since Columbia's Phase I settlement in Docket No. RP95-408 provides for the sharing of proceeds from the sale of facilities classified as *gathering* facilities at that time, Columbia's customers are not entitled to share in proceeds from the sale of either of the facilities because both facilities were classified as *transmission* at the time of the settlement. Further, Columbia has addressed Orange and Rockland's concerns by clarifying that the Stafford Compressor Station will be released from the mortgage lien when it is sold.

B. Jurisdictional Status of Stafford Compressor Station

12. Under Section 1(b) of the NGA, the Commission's jurisdiction does not extend to facilities used for "the production or gathering of natural gas." The Commission relies on the "primary function test" to determine which facilities are non-jurisdictional gathering facilities and which facilities are jurisdictional transmission facilities.⁶ The "primary function test" includes consideration of several physical and geographic factors including: (1) the length and diameter of the line, (2) the extension of the facility beyond the central point in the field, (3) the facility's geographic configuration,

⁵The total purchase price for both the Stafford Compressor Station and the BM pipeline facilities is \$535,800, which includes the \$347,495 net book value of the compressor station as of December 31, 2001, and the \$188,305 net book value of the pipeline facilities on the same date.

⁶See *Amerada Hess Corporation*, 52 FERC ¶ 61,168 (1990) and *Farmland Industries, Inc.*, 23 FERC ¶ 61,063 (1983).

(4) the location of compressors and processing plants, (5) the location of wells along all or part of the facility, and (6) the operating pressure of the line.⁷

13. In addition, the Commission also considers the purpose, location, and operation of the facility, the general business activity of the owner of the facility, and whether the jurisdictional determination is consistent with the NGA and the Natural Gas Policy Act. The Commission does not consider any one factor to be determinative and recognizes that all factors do not necessarily apply to all situations.⁸ In addition to the factors enumerated above, the Commission also weighs any and all other relevant facts and circumstances of a particular case, including non-physical criteria.⁹

14. Like the Sugar Run Compressor Station, which the Commission found to be gathering in Columbia's Docket No. CP02-23-000 proceeding,¹⁰ the Stafford Compressor Station is located upstream of Columbia's higher pressure mainline transmission facilities and downstream of gathering and production facilities, and is used to compress production volumes to transmission pressures. There are no processing plants located on or connected to the facilities proposed for sale. The facilities are located within the Appalachian production region and are connected to upstream well lines and gathering lines. The new owner, CNR, does not render any interstate natural gas transportation services and does not own or operate any jurisdictional facilities. CNR will operate the facilities as gathering facilities to compress locally gathered volumes of natural gas to pipeline pressure for delivery into Columbia's mainline system.

15. Based on the application of the above test, we find that the primary function of the Stafford Compressor Station is to gather natural gas, and that it will continue to perform this function after being transferred to CNR.

⁷ The Commission has further modified the primary function test as applied to facilities located offshore; these modifications are immaterial here, since all the facilities at issue are located onshore in West Virginia.

⁸ See, e.g., TOMCAT, 59 FERC ¶ 61,340 at 62,239 (1992).

⁹ See, e.g., *id.* and Amerada Hess Corporation, 52 FERC ¶ 61,268 (1990).

¹⁰ See Columbia Gas Transmission Corporation, 99 FERC ¶ 62,086 (2002).

C. Environment

16. Environmental review of this proposal under Section 380.4(b) confirms that this action qualifies as a categorical exclusion under Section 380.4(a)(31).

IV. Conclusion

17. At a hearing held on September 10, 2003, the Commission on its own motion received and made a part of the record in these proceedings all evidence submitted, including the applications and petitions and exhibits supporting the authorizations sought, and after consideration of the record,

The Commission orders:

(A) Columbia is granted permission and approval under NGA Section 7(b) to abandon by sale to CNR, the subject facilities described in this order.

(B) Upon acquisition by CNR, the Stafford Compressor Station will be a gathering facility exempt from the Commission's jurisdiction pursuant to NGA Section 1(b).

(C) Columbia shall notify the Commission within 10 days of the date of abandonment of the facilities described above.

(D) Columbia's answer is accepted.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.